

2004 SECOND QUARTER REPORT

April 1 – June 30, 2004



NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

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I. Quarterly Highlights

- NSEDC standing committees held their 2004 first quarter meetings in Nome on April 21 - 22, 2004.
- NSEDC Board of Directors held their 2004 first quarter meetings in Nome on April 22 - 23, 2004.
- Glacier Fish Company held their quarterly management meeting on June 22, 2004.
- NSEDC awarded \$14,063 to 13 residents in post-secondary scholarships during the second quarter of 2004.
- NSEDC awarded \$7,500 to 6 residents in vocational scholarships during the second quarter of 2004.
- Twenty-six residents of member communities or of nearby communities worked on the *F/V Northern Glacier*, *F/V Pacific Glacier*, *F/V Norton Sound* and the *FV Glacier Bay* earning a total of \$238,522.06 in wages in the second quarter.
- NSEDC sponsored a Fisheries Safety Orientation Class at the Alaska Vocational Technical Center from April 18 - 28, in which nine participants successfully completed the course.
- NSEDC/NSSP purchased 13,250 lbs. of NSEDC CDQ red king crab from seven regional fishermen.
- NSEDC/NSSP purchased approximately 13,024 lbs. of YDFDA's CDQ red king crab from two regional fishermen.
- NSEDC/NSSP provided the NSSC Facilities for local fishermen to process, freeze and store Norton Sound bait herring for their use during the red king crab and halibut fisheries.
- Salmon and Glacial Lakes, the primary sockeye salmon producers of the Seward Peninsula/Norton Sound, were the sites of limnological study (sponsored by NSEDC, ADF&G, and BLM) in 1994 and 1995 to examine the nutrient levels to learn if there was a correlation between these levels and poor returns in recent history. Salmon Lake was found to be nutrient-limited, and fertilization of this system to jumpstart the food supply for juvenile salmon was deemed appropriate. Five years of fertilization ensued, boosting the supply of "food" for phytoplankton (tiny plants), which in turn boosted zooplankton (tiny invertebrates), which resulted in high quantities of food for juvenile sockeye salmon living in the lake. After many years of poor returns to Salmon Lake, in 2003 a near-record 41,000 fish returned to the lake, and so far in 2004, an all-time record of 72,000 fish have been counted.
- The Golovin Shoreside Support Project was completed during the month of June. This project included the launching of the floating dock, purchase of a wheel-loader and the construction of an icehouse. This project was instrumental in providing the regional red king crab fleet improved access and services in the community of Golovin.
- NSEDC provided the materials and labor to secure the Shaktoolik fish plant to protect the building and equipment from weather and potential vandalism.
- NSEDC made the 2004 contribution to the City of Nome for the Nome Navigation Improvements Project on
- Fourteen internships were sponsored by NSEDC during the second quarter. Internships were sponsored at NSEDC Norton Sound Fisheries R & D (5), NSEDC Administration (2), ADF&G (2), Kawerak, Inc. (4) and Norton Sound Health Corp. (1).

II. Community Development

A. Progress Toward Goals, Objectives, Milestones

Administrative

MILESTONE: NSEDC BOARD OF DIRECTORS WILL HOLD REGULARLY SCHEDULED MEETINGS DURING EACH QUARTER IN 2003-2005

Activity: NSEDC Board of Directors held their 2004 first quarter meetings in Nome on April 21 – 23, 2004.

MILESTONE: NSEDC WILL HAVE AN ANNUAL AUDIT TO BE COMPLETED BEFORE MAY 31 OF 2003-2005

Activity: NSEDC contracted with KPMG to conduct the NSEDC 2003 Annual Audit, which was completed in the first quarter.

MILESTONE: NSEDC WILL PREPARE AND SUBMIT AN ANNUAL BUDGET FOR THE FOLLOWING YEAR, NOT LATER THAN THE END OF THE FIRST QUARTER OF EACH YEAR.

Activity: NSEDC submitted an annual budget for 2004 in December of 2003.

MILESTONE: NSEDC WILL PREPARE A CORPORATE ANNUAL REPORT FOR ITS MEMBERS, AND MAIL IT TO RESIDENTS IN THE FIFTEEN MEMBER COMMUNITIES BY THE THIRD QUARTER OF 2003-2005

Activity: NSEDC completed the development of the 2003 Corporate Annual Report during the second quarter and it will be mailed out during the first part of the third quarter.

MILESTONE: NSEDC WILL PROVIDE STAFF TRAINING EACH YEAR, NOT LATER THAN THE END OF THE FOURTH QUARTER

Activity: No activity this quarter

MILESTONE: NSEDC WILL FILE QUARTERLY REPORTS TO THE STATE OF ALASKA WITHIN THIRTY DAYS OF THE END OF EACH CALENDAR QUARTER

Activity: Quarterly reports for the first quarter of 2004 were submitted to the State of Alaska on April 30, 2004.

MILESTONE: NSEDC WILL FILE AN ANNUAL REPORT TO THE STATE OF ALASKA BY MAY 31 OF EACH YEAR

Activity: The NSEDC 2003 Annual report was submitted to the State of Alaska on January 30, 2004.

MILESTONE: NSEDC WILL SUBMIT AN OMNIBUS BUDGET PLAN AMENDMENT, BY THE END OF THE SECOND QUARTER OF EACH YEAR

Activity: The 2004 Omnibus Budget Plan Amendment was submitted to the state on June 29, 2004.

CDQ Harvest Management

MILESTONE: BY THE END OF THE THIRD QUARTER OF THE YEAR 2005 NEGOTIATE NEW HARVEST AGREEMENTS FOR ALL MULTISPECIES CDQ.

Activity: No activity this quarter.

MILESTONE: NSEDC AND GFC WILL HARVEST IT CDQ POLLOCK ALLOCATION, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF EACH FISHING SEASON.

Activity: During the second quarter, NSEDC with our partner GFC harvested 180 metric tons of CDQ pollock using the *F/V Pacific Glacier*

MILESTONE: NSEDC AND ITS HARVEST PARTNERS FOR CRAB WILL HARVEST ITS CDQ ALLOCATIONS, AS CLOSE AS REASONABLY POSSIBLE WITHOUT OVER-HARVEST, OF CRAB BY THE END OF THE FISHING SEASON EACH YEAR FOR EACH SPECIES.

Activity: During the second quarter NSEDC harvested 13,250 lbs., the entire quota, of CDQ red king crab in Norton Sound using nine regional boats and crews from NSEDC member communities. In addition to NSEDC's CDQ red king crab, NSEDC purchased and processed approximately 13,000 lbs. of YDFDA's Norton Sound CDQ red king crab quota that was harvested and delivered by two NSEDC member community residents.

MILESTONE: NSEDC AND ITS HARVESTING PARTNERS FOR PACIFIC COD, GREENLAND TURBOT, AND SABLEFISH WILL HARVEST ITS CDQ ALLOCATIONS, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF THE FISHING SEASON EACH YEAR FOR EACH SPECIES.

Activity: NSEDC and our partners harvested approximately 1,157 metric tons of CDQ Pacific cod using the *F/V Norton Sound* (GFC) and the *F/V Glacier Bay* (NSV) during the second quarter. And, 6.1 metric tons of NSEDC CDQ sablefish was harvested by the *F/V Pacific Sojourn*.

MILESTONE: NSEDC AND ITS HARVESTING PARTNER FOR ROCK SOLE WILL HARVEST ITS CDQ ALLOCATION, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF THE FISHING SEASON EACH YEAR.

Activity: There was no directed harvest of rock sole and/or other flatfish fisheries during the second quarter of 2004.

MILESTONE: NSEDC AND ITS HARVESTING PARTNER FOR ATKA MACKEREL WILL HARVEST IT CDQ ALLOCATION, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF THE FISHING SEASON EACH YEAR.

Activity: There was no directed harvest of Atka mackerel during the second quarter of 2004.

MILESTONE: NSEDC WILL ATTEND NORTH PACIFIC FISHERIES MANAGEMENT COUNCIL MEETINGS IN 2003-2005 .

Activity: NSEDC staff and representatives attended the NPFMC meetings in Anchorage during the week of June 7th in Portland, Oregon.

Fund for Purchase of Equity Interest

MILESTONE: NSIC WILL MAKE A REPORT TO THE BOARD OF DIRECTORS OF NSEDC AT EACH QUARTERLY NSEDC BOARD MEETING.

Activity: NSIC gave a report to the NSEDC Board of Directors at the 2004 first quarter meetings in April 2004.

MILESTONE: NSIC MANAGEMENT COMMITTEE WILL MEET AT LEAST ONCE EACH QUARTER

Activity: NSIC Management Committee met on April 21, 2004.

MILESTONE: NSIC WILL EVALUATE THE POTENTIAL FOR EQUITY INVESTMENT IN ONE OR MORE BERING SEA FISHING COMPANIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR 2003 THROUGH 2005

Activity: Activity is ongoing.

MILESTONE: NSIC WILL TIMELY RESPOND TO ANY OFFER MADE UNDER A BUY/SELL AGREEMENT IN INVESTMENTS TO WHICH NSIC IS A PARTY

Activity: No buy-sell offers were made during the second quarter of 2004.

MILESTONE: NSIC WILL ATTEND ALL REGULAR AND SPECIAL MEETINGS OF THE OWNERS FOR COMPANIES IN WHICH NSIC HAS A DIRECT OWNERSHIP INTEREST, OTHER THAN PASSIVE EQUITY INTEREST, AND A RIGHT TO ATTEND AND PARTICIPATE IN THE MEETING.

Activity: NSIC attended the GFC quarterly meeting on June 22, 2004.

MILESTONE: NSIC WILL INCREASE ITS LEVEL OF EQUITY INVESTMENT IN THE FISHING INDUSTRY BY THE END OF THE 4TH QUARTER 2005

Activity: No new NSIC equity investments in the fishing industry were consummated in the second quarter 2004.

Funding for Harvesting and Tendering Vessel

MILESTONE: NSIC WILL EVALUATE THE POTENTIAL FOR INVESTMENT IN ONE OR MORE BERING SEA FISHING VESSELS BY THE END OF THE FOURTH QUARTER OF EACH YEAR 2003 THROUGH 2005

Activity: Activity is ongoing.

MILESTONE: NSIC WILL TIMELY RESPOND TO ANY OFFER MADE UNDER A BUY/SELL AGREEMENT IN INVESTMENTS TO WHICH NSIC IS A PARTY

Activity: No buy-sell offers were made during the second quarter of 2004.

MILESTONE: NSIC WILL ATTEND ALL REGULAR AND SPECIAL MEETINGS OF THE OWNERS FOR COMPANIES IN WHICH NSIC HAS A DIRECT OWNERSHIP INTEREST, OTHER THAN PASSIVE EQUITY INTEREST, AND A RIGHT TO ATTEND AND PARTICIPATE IN THE MEETING

Activity: NSIC attended the GFC quarterly meeting on April 22, 2004.

MILESTONE: NSIC WILL HAVE AN INTEREST IN ONE OR MORE ADDITIONAL HARVEST VESSELS BY THE END OF THE FOURTH QUARTER 2005.

Activity: Activity is ongoing.

Fund for IFQ Purchases

MILESTONE: NSIC WILL EVALUATE THE POTENTIAL FOR ACQUISITION OF ADDITIONAL QUOTA SHARE BY THE END OF THE FOURTH QUARTER OF EACH YEAR 2003 THROUGH 2005, AND WILL ACQUIRE ADDITIONAL QUOTA SHARE BY THE END OF THE FOURTH QUARTER 2005

Activity: Activity is ongoing

MILESTONE: NSIC WILL PUT THE IFQ IT OWNS OUT FOR HARVEST, AND HARVEST AS MUCH AS REASONABLY POSSIBLE BY THE END OF THE FOURTH QUARTER EACH YEAR

Activity: Activity is ongoing.

Education, Employment and Training Program – Education & Training Component

MILESTONE: NSEDC WILL HAVE PROVIDED FISHERIES SKILLS TRAINING OPPORTUNITIES UNDER THIS CDP FOR 45 RESIDENTS OF THE REGION OR OF NEARBY COMMUNITIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: A Fisheries Safety Orientation class was held at the Alaska Vocational Technical Center in Seward from April 18 - 28, 2004 in which nineteen residents were given the opportunity for training, but only nine residents successfully completed the course.

MILESTONE: NSEDC WILL AWARD AT LEAST \$120,000 IN SCHOLARSHIPS TO STUDENTS BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: NSEDC awarded \$14,063 to thirteen students in post-secondary scholarships and \$7,500 to six students in vocational scholarships in the second quarter of 2004.

MILESTONE: NSEDC EET PERSONNEL WILL MAKE OUTREACH VISITS FOR THIS PROGRAM TO AT LEAST FIVE COMMUNITIES IN THE REGION OR OF NEARBY COMMUNITIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: NSEDC EET Coordinator and other NSEDC staff traveled to and held community outreach meetings in the communities of Unalakleet (6/16), St. Michael (6/17), Stebbins (6/17), Koyuk (6/18) and Shaktoolik (6/18) during the second quarter in preparation for the development of the 2006 - 2008 Multi-species CDP.

MILESTONE: NSEDC WILL EVALUATE AND FUND AT LEAST ONE K-12 SUPPORT PROGRAM/PROJECT BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: NSEDC staff evaluated the possibility of providing financial support for the development of a regional learning center in Nome, which is co-sponsored by the Bering Straits School District and the Nome Public School District, during the first quarter of 2004. NSEDC also funded five schools under the NSEDC 2004 Drug and Alcohol Prevention Program during the first quarter and funded the remaining ten schools during the second quarter.

Education, Employment and Training Program - Employment Component

MILESTONE: NSEDC AND NSSP WILL FACILITATE THE EMPLOYMENT OF 110 RESIDENTS OF THE REGION OR OF NEARBY COMMUNITIES ONTO FACTORY TRAWLERS, OTHER OFFSHORE FISHING VESSELS, NEAR-SHORE PROCESSORS AND

FISHING VESSELS, AND IN SHORESIDE PROCESSING PLANTS BY THE END OF THE FOURTH QUARTER OF EACH YEAR

Activity: Twenty-six residents of member communities or of nearby communities received \$238,522 in crew share wages from Glacier Fish Company during the second quarter.

Nine residents of member communities or of nearby communities worked on the NSEDC tender vessels or shoreside project sites or shoreside facilities during the second quarter

Eleven fishermen worked on their vessels and delivered harvests to NSEDC/NSSP during the second quarter.

MILESTONE: NSEDC EET PERSONNEL WILL MAKE OUTREACH VISITS FOR THIS PROGRAM TO AT LEAST FIVE COMMUNITIES IN THE REGION OR OF NEARBY COMMUNITIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: NSEDC EET Coordinator and other NSEDC staff traveled to and held community outreach meetings in the communities of Unalakleet (6/16), St. Michael (6/17), Stebbins (6/17), Koyuk (6/18) and Shaktoolik (6/18) during the second quarter in preparation for the development of the 2006 - 2008 Multi-species CDP.

MILESTONE: NSEDC WILL PLACE AT LEAST SIX INTERNSHIPS IN OFFICE OR FIELD SETTINGS BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: Fourteen internship positions were sponsored by NSEDC at NSEDC Norton Sound Fisheries R & D (5), NSEDC Administration (2), ADF&G (2), Kawerak, Inc. (4) and Norton Sound Health Corp. (1). The following is a list of the interns and internship positions.

NSEDC

- Leslie Richards, Administrative Intern (White Mountain)
- Kimberly Piscoya, Accounting Intern (Nome)

NSEDC Salmon Rehabilitation & Enhancement Program

- Vaughn Munn, Fisheries Technician (Nome)
- Nancy Bauer-Bahnke, Fisheries Technician (Nome)
- Troy Walker, Fisheries Technician (Nome)
- Arlo Hannigan, Fisheries Technician (Nome)
- John Mikulski, Fisheries Technician (Nome)

Kawerak, Inc.

- Loren Bullard, Fisheries Technician (Nome)
- Scott Dixon, Fisheries Technician (Nome)
- Bernie Larsen, Fisheries Technician (Nome)
- Reese Madden, Fisheries Technician (Nome)

ADF&G

- Rhonda Sparks, Fisheries Technician (Nome)
- Dennis Davison, Fisheries Technician (Nome)

Norton Sound Health Corporation

- Ella Morris, Physical Therapy Intern (White Mountain)

Education Endowment

MILESTONE: NSEDC WILL EVALUATE THE POSSIBILITY OF FUNDING THE EDUCATION, TRAINING, AND SCHOLARSHIP PROGRAM FROM EARNINGS OF THE EDUCATION, TRAINING, AND SCHOLARSHIP ENDOWMENT AND DEVELOP A SCHEDULE FOR DOING SO, BY THE END THE FOURTH QUARTER 2005.

Activity: No activity this quarter.

MILESTONE: NSEDC FINANCIAL ADVISORY COMMITTEE WILL REVIEW INVESTMENT PERFORMANCE AND ASSET ALLOCATION AT LEAST ONCE EACH QUARTER.

Activity: The NSEDC Financial Advisory Committee met and reviewed investment performances on April 22, 2004.

Revolving Loan Program

MILESTONE: NSEDC WILL CONDUCT ANNUAL REVIEWS OF THE REVOLVING LOAN PROGRAM BY THE END OF THE 4TH QUARTER EACH YEAR.

Activity: The NSEDC Financial Advisory Committee met and reviewed the Revolving Loan Program on April 22, 2004.

MILESTONE: NSEDC FINANCIAL ADVISORY COMMITTEE WILL REVIEW THE REVOLVING LOAN PROGRAM PORTFOLIO QUARTERLY.

Activity: The NSEDC Financial Advisory Committee met and reviewed the Revolving Loan Program on April 22, 2004.

Fisheries Development Program

MILESTONE: NSEDC WILL PREPARE A DETAILED PLAN TO CONDUCT FISHERIES DEVELOPMENT ACTIVITIES BY THE END OF THE SECOND QUARTER EACH YEAR.

Activity: A fisheries development plan for 2004 was completed by the program manager for Norton Sound Fisheries Research and Development during the first quarter.

MILESTONE: NSEDC WILL FUND AT LEAST ONE FISHERY DEVELOPMENT PROJECT BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: Twenty shrimp pots were received for the 2004 Norton Sound Shrimp Development Fishery in which pots were sent to Golovin, Unalakleet and Shaktoolik, with plans for the communities of Elim and Nome to be included at a later date. Residents in the communities will be setting and checking the pots, then logging the information on date, location, soak time, contents and bait. This information will be provided to the Fisheries Development Program. NSEDC also completed the agreement with the University of Rhode Island for the Community-Based Fishery Development Plan that will begin in the third quarter.

Salmon Rehabilitation and Enhancement Program

MILESTONE: NSEDC WILL PREPARE A DETAILED PLAN TO FUND SALMON REHABILITATION AND ENHANCEMENT PROJECTS BY THE END OF THE SECOND QUARTER OF EACH YEAR.

Activity: A salmon rehabilitation and enhancement plan for 2004 was completed by the program manager for Norton Sound Fisheries Research and Development during the first quarter.

MILESTONE: NSEDC WILL FUND AT LEAST ONE SALMON REHABILITATION AND ENHANCEMENT PROJECT BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: Three NSEDC projects were approved for continuation by the Norton Sound Steering Committee, including the Juvenile Chum Salmon Ecology Study, the Chum and Coho Salmon Fecundity Study and the Coho Salmon Production Study. Each of these projects were underway during the second quarter.

Shoreside Infrastructure Improvements Program

MILESTONE: NSEDC WILL EVALUATE AT LEAST TWO SITE-SPECIFIC SHORESIDE INFRASTRUCTURE IMPROVEMENT PROJECTS EACH YEAR

Activity: NSEDC evaluated the possibility of providing financial support for construction of a multi-purpose building in Unalakleet and for relocating a freezer van from Unalakleet to Shaktoolik for freezing and storing bait for the fishermen during the first quarter.

MILESTONE: NSEDC WILL MAKE ALL APPROVED CONTRIBUTIONS TO THE NOME NAVIGATION IMPROVEMENTS PROJECT IN A TIMELY FASHION.

Activity: The 2004 contribution to the Nome Navigation Improvements Project was made to the City of Nome on February 20, 2004 in the amount of \$1,314,000.

CDQ Fees

MILESTONE: NSEDC WILL MAKE ANY REQUIRED PAYMENTS OF CDQ FEES WITHIN 60 DAYS OF THE END OF THE QUARTER IN WHICH THEY ARE DETERMINABLE

Activity: The required CDQ Fee payment was made on June 14, 2004.

Norton Sound Seafood Products

MILESTONE: THE NSEDC BOARD WILL ACT UPON THE RECOMMENDATIONS OF NSSP NO LATER THAN THE END OF THE SECOND QUARTER EACH YEAR.

Activity: NSSP Management made their recommendations for the 2004 operations during the April board of directors meetings.

MILESTONE: NSEDC OR AN NSEDC SUBSIDIARY WILL MARKET AT LEAST 50% (BY WEIGHT) OF THE CDQ CRAB ALLOCATED TO NSEDC BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: This activity continues to be coordinated by NSEDC and Glacier Seafood International. Also, NSEDC recently established a joint venture arrangement with Royal Aleutian Seafoods for the processing and sales for NSEDC CDQ crab. The CDQ Norton Sound red king crab harvested out of Nome is directly marketed by NSSP.

Norton Sound Vessel Management

MILESTONE: NORTON SOUND VESSEL MANAGEMENT WILL EVALUATE OPERATIONS IN THE REGION INCLUDING SUPPORT TO THE HERRING, SALMON, CRAB AND HALIBUT FISHERIES BY THE END OF THE SECOND QUARTER EACH YEAR

Activity: Norton Sound Vessel Management will prepare, in conjunction with the NSSP 2004 Operations Plan, proposed operations for NSVM for the upcoming season. These plans were presented to the board at the meetings in April 2004.

MILESTONE: THE NSEDC BOARD WILL ACT UPON THE RECOMMENDATIONS OF NORTON SOUND VESSEL MANAGEMENT NO LATER THAN THE END OF THE SECOND QUARTER EACH YEAR

Activity: Norton Sound Vessel Management will prepare, in conjunction with the NSSP 2004 Operations Plan, proposed operations for NSVM for the upcoming season. These plans were presented to the board at the meetings in April 2004.

Community Outreach Program

MILESTONE: PROVIDE STAFF SUPPORT AND FUNDING FOR THE PREVENTION OF ALCOHOL AND SUBSTANCE ABUSE BY THE END OF EACH YEAR.

Activity: NSEDC provided funding for five schools (Nome, Golovin, Shaktoolik, Stebbins and Diomed) during the first quarter and the remaining ten schools (St. Michael, Unalakleet, Koyuk, Elim, White Mountain, Teller, Wales, Brevig Mission, Savoonga and Gambell) in accordance with the NSEDC 2004 Drug & Alcohol Prevention Program.

MILESTONE: DIRECTLY CONTACT AT LEAST 30 INDIVIDUALS EACH QUARTER REGARDING THE AVAILABILITY OF NSEDC'S TRAINING AND SCHOLARSHIP PROGRAMS.

Activity: Nineteen applicants received scholarships during the second quarter and nineteen potential trainees were contacted regarding the Fisheries Safety Orientation Class in April during the second quarter.

Other Fund Management

MILESTONE: NSEDC FINANCIAL ADVISORY COMMITTEE WILL REVIEW INVESTMENT PERFORMANCE AND ASSET ALLOCATION AT LEAST ONCE EACH QUARTER.

Activity: The NSEDC Financial Advisory Committee met and reviewed investment performance and asset allocation on April 22, 2004.

MILESTONE: NSEDC AND NSIC WILL PROVIDE INVESTMENT OVERSIGHT AND MONITORING OF ALL INCOME-PRODUCING INVESTMENTS DURING EACH QUARTER.

Activity: NSEDC and NSIC monitored all income-producing investments during the quarter and presented a report to the board at the NSIC Management Committee meeting and the NSEDC Financial Advisory Committee meeting in April.

Board Training

MILESTONE: THE NSEDC BOARD OF DIRECTORS WILL ATTEND AN ANNUAL RETREAT FOR THE PURPOSE OF BOARD TRAINING BY THE END OF THE 4TH QUARTER EACH YEAR.

Activity: No activity this quarter.

Substance Abuse Prevention

MILESTONE: NSEDC WILL CONTINUE TO FOLLOW THE SUBSTANCE ABUSE POLICIES OUTLINED IN OUR PERSONNEL POLICIES.

Activity: NSEDC continued to follow the substance abuse policies during the second quarter.

MILESTONE: NSEDC WILL SCREEN ALL APPLICANTS FOR EMPLOYMENT POSITIONS WITHIN THE SEAFOOD INDUSTRY FOR DRUG-FREE STATUS.

Activity: NSEDC, GFC and NSV continued to screen all applicants for training and seafood industry employment opportunities during the second quarter.

MILESTONE: NSEDC WILL MAKE A GRANT TO EACH SCHOOL DISTRICT THAT FALLS WITHIN OUR MEMBER COMMUNITIES TO AID IN FUNDING AN ABUSE PREVENTION PROGRAM/CURRICULUM.

Activity: NSEDC provided funding for five schools (Nome, Golovin, Shaktoolik, Stebbins and Diomed) during the first quarter and the remaining ten schools (St. Michael, Unalakleet, Koyuk, Elim, White Mountain, Teller, Wales, Brevig Mission, Savoonga and Gambell) in accordance with the NSEDC 2004 Drug & Alcohol Prevention Program.

Community Benefit Share

MILESTONE: THE NSEDC BOARD WILL DECLARE A COMMUNITY BENEFIT SHARE BY THE END OF THE THIRD QUARTER OF EACH YEAR.

Activity: No activity this quarter.

MILESTONE: NSEDC WILL TRANSMIT FUNDS TO EACH COMMUNITY THAT ACCEPTS THE TERMS OF THE COMMUNITY BENEFIT SHARE WITHIN 45 DAYS OF NSEDC'S NOTIFICATION OF THE ACCEPTANCE.

Activity: No activity this quarter.

A. Outreach

NSEDC management and staff performed a number of outreach projects/activities during the second quarter of 2004.

- NSEDC Board of Directors held their 2004 first quarter meetings in Nome on April 21 -23 at the Bering Strait Native Corporation Board room, these meetings were open to the public.
- NSEDC Board of Directors notified residents of the 2004 first quarter meetings by placing an ad in the Nome Nugget Newspaper.
- The 2004 first quarter reports were mailed out to each member community city office, NSEDC Board of Director and Community Outreach Liaison.
- NSEDC placed a number of newspaper advertisements during the second quarter, please see the attachments to this report.
- Announcements were sent and posted in each community scheduled to have a fishermen's meeting to announce the date, time and place of the meetings.
- Fishermen meetings were held in Nome, Unalakleet, Shaktoolik and Savoonga to review the plans for the 2004 fishing season during the second quarter.
- Announcements were sent to each of the communities scheduled to have outreach meetings during the second quarter to announce the date, time and place of the meetings.
- NSEDC staff traveled to and held community outreach meetings in the communities of Unalakleet (6/16), St. Michael (6/17), Stebbins (6/17), Koyuk (6/18) and Shaktoolik (6/18) during the second quarter in preparation for the development of the 2006 - 2008 Multi-species CDP.
- NSEDC has Community Outreach Liaisons in thirteen of our member communities with the EET office and the NSSC office serving the communities of Unalakleet and Nome, respectively. The NSEDC liaisons are sent informational fliers, applications, and other various information to disseminate to residents in their communities.
- NSEDC has a web page on the internet (www.nsedc.com) in which constituents can access quarterly reports, newsletters, applications, and information regarding opportunities with NSEDC.

B. Employment

Employment Data Form

Table 1
EMPLOYMENT DATA FORM
June 30, 2004

	Quarter		Year-to-Date	
	People	Wages	People	Wages
Management/Administrative				
NSEDG	3	\$37,608.54	5	\$60,635.88
NSSP	5	\$60,993.32	8	\$87,924.92
Total Management/Administrative	8	\$98,601.86	13	\$148,560.80
CDQ Pollock Related				
A/B Season	22	\$205,698.25	40	\$406,142.59
C/D Season	0	\$0.00	0	\$0.00
Total Pollock Related	22	\$205,698.25	40	\$406,142.59
NSSP Employment	3	\$3,707.82	3	\$3,707.82
Other NSEDG Employment				
Skippers, Deckhands, Shoreside, etc.	6	\$6,910.00	6	\$6,910.00
Total Other NSEDG Empl.	6	\$6,910.00	6	\$6,910.00
Other Fishing				
GFC - Longline	4	\$33,823.31	11	\$47,627.94
NSV - Crab	0	\$0.00	2	\$3,067.86
Icicle Seafoods	0	\$0.00	2	\$10,496.55
O/A Norton Sound Winter Red King Crab	2	\$699.00	4	\$4,651.00
NSEDG CDQ Red King Crab	7	\$39,750.00	7	\$39,750.00
YDFDA CDQ Red King Crab	2	\$39,072.00	2	\$39,072.00
Total Other Fishing	15	\$113,344.31	28	\$144,665.35
NSEDG Community Outreach Liaisons	16	\$18,822.58	30	\$37,322.58
Interns				
NSEDG Administration	2	\$5,614.48	4	\$7,652.87
NSEDG Salmon Rehab.	5	\$17,965.86	6	\$24,396.99
Alaska Dept. of Fish & Game	2	\$1,219.04	2	\$1,219.04
Kawerak, Inc.	4	\$3,866.56	4	\$3,866.56
Norton Sound Health Corp.	1	\$736.40	1	\$736.40
Total Interns	14	\$29,402.34	17	\$37,871.86
GRAND TOTALS	84	\$476,487.16	137	\$785,181.00
	NSEDG =	\$92,743.46	NSEDG =	\$142,740.32
	NSSP =	\$144,222.14	NSSP =	\$175,105.74
	Partners =	\$239,521.56	Partners =	\$467,334.94

Employment Summary

Management/Administrative – Eight employees were employed by NSEDC/NSSP at various offices in the region, and ten employees were employed in the administrative offices in Anchorage during the quarter.

CDQ Pollock – Glacier Fish Company paid wages to twenty-two residents of NSEDC member communities or nearby communities who were employed aboard the *F/V Northern Glacier* and the *F/V Pacific Glacier* during the quarter.

Community Breakdown:

- 2 employees from Elim
- 3 employees from Shaktoolik
- 3 employees for Shishmaref
- 3 employees from Anchorage
- 2 employees from Kaltag
- 1 employee from Mountain Village
- 1 employee from Nulato
- 1 employee from Kotzebue
- 1 employee from White Mountain
- 1 employee from Koyuk
- 1 employee from St. Michael
- 2 employees from Unalakleet
- 1 employee from Stebbins

NSSP Employment – Three employees from Nome were employed by NSSP at regional facilities during the quarter.

Other NSEDC Employment – Six residents were employed by NSEDC onboard the Tender Vessels and at various shoreside projects during the quarter.

Community Breakdown:

- 4 employees from Shaktoolik
- 2 employees from Golovin

Other Fishing –

Four residents of member communities or of nearby communities were employed aboard the *F/V Norton Sound* and *F/V Glacier Bay* during the quarter.

Community Breakdown:

- 1 employee from Nome
- 3 employees from Elim

Two residents of member communities or of nearby communities delivered Norton Sound Winter red king crab to NSSP during the quarter.

Community Breakdown:

- 2 fishermen from Nome

Seven residents of member communities or of nearby communities delivered NSEDC CDQ red king crab to NSSP during the quarter.

Community Breakdown:

- 1 fisherman from Unalakleet

1 fisherman from Shaktoolik
1 fisherman from Elim
4 fishermen from Nome

Two residents of member communities or of nearby communities delivered YDFDA CDQ red king crab to NSSP during the quarter.

Community Breakdown: 2 fishermen from Unalakleet

NSEDC Community Outreach Liaisons – Sixteen residents filled the thirteen liaison positions during the quarter.

Community Breakdown: 1 liaison from St. Michael
2 liaisons from Stebbins
1 liaison from Shaktoolik
1 liaison from Koyuk
1 liaison from Golovin
1 liaison from White Mountain
1 liaison from Brevig Mission
2 liaisons from Teller
1 liaison from Wales
1 liaison from Diomede
1 liaison from Savoonga
1 liaison from Gambell
2 liaisons from Elim

Interns – Fourteen internship positions were sponsored by NSEDC during the quarter.

Community Breakdown: 2 interns from White Mountain
12 interns from Nome

C. Training

Training Data Form

Table 2
TRAINING DATA FORM
June 30, 2004

	Quarter		Year-to-Date	
	People	Expenditures	People	Expenditures
Scholarships				
Post-Secondary	13	\$14,063.00	84	\$98,874.50
Vocational	6	\$7,500.00	25	\$31,250.00
Other Training				
Fisheries Related	9	\$36,242.97	21	\$74,712.63
CDQ Staff				
CDQ Board				
Other				
Other Expenditures				
To Education Institute				
Education Endowment				
TOTAL	28	\$57,805.97	130	\$204,837.13

Training Summary

Scholarships –

Nineteen students received post-secondary and vocational scholarships in the quarter.

Community Breakdown:

- 1 student from Koyuk
- 1 student from Gambell
- 3 students from Shaktoolik
- 7 students from Nome
- 2 students from White Mountain
- 3 students from Unalakleet
- 2 students from Elim

Other Training –

Fisheries Related – Nine trainees out of a pool of nineteen received their certification in Fisheries Safety Orientation Training from AVTEC in Seward, AK during the quarter.

Community Breakdown:

- 3 trainees from Unalakleet
- 2 trainees from Shishmaref
- 1 trainee from White Mountain
- 1 trainee from Stebbins

1 trainee from St. Michael
1 trainee from Koyuk

III. Administration

A. Board Activities

Board of Director Meetings

The NSEDC Board of Directors held their 2004 first quarter meetings in Nome on April 22 - 23, with the standing committees meeting on the 21st and 22nd.

Substantial Decisions

During the second quarter a number of items and decisions were approved and made by the NSEDC Board of Directors including: aiding the Bering Strait Coastal Resource Area Board with in-kind donations and a \$10,000 donation to develop a new Coastal Management Plan; approval to fund the White Mountain Camp Fire USA Rural Program; approval of a Fisheries Development Project to fund a Blue King Crab Pot Survey; approval to provide some shoreside support projects to the community of Shaktoolik; and approval to assist Kawerak, Inc. with the purchase of a new outboard motor for salmon enhancement projects;

Board Meeting Minutes

Please see Attachment 13

B. State of Alaska Reporting Compliance

NSEDC complied with all State of Alaska requirements during the second quarter.

C. Amendment Status

Amendments to the 2003-2005 Multi-species Community Development Plan (CDP) that were submitted during the second quarter are listed below:

- CDP amendment 04-04NS: This technical amendment proposed to add the fishing vessel *F/V Pacific Sojourn* to the list of eligible vessels for NSEDC. This amendment was approved by NMFS on April 6, 2004.
- CDP amendment 04-05NS: This technical amendment proposed to transfer 162.0 mt of Pacific cod annual CDQ in the A season from APICDA to NSEDC. This amendment was approved by NMFS on April 8, 2004.

- CDP amendment 04-06NS: This substantial amendment proposed to transfer 404.0 mt of Pacific cod annual CDQ in the B season from NSEDC to APICDA. This amendment was approved by NMFS on June 15, 2004.
- CDP amendment 04-07NS: This substantial amendment proposed a transfer of 13,250 lb. of CDQ Norton Sound red king crab from YDFDA to NSEDC. This amendment was withdrawn from the state because YDFDA decided not to transfer the crab to NSEDC for inter-regional political reasons.
- CDP amendment 04-08NS: This substantial amendment proposed a transfer of 350.0 mt of yellowfin sole annual CDQ from NSEDC to BBEDC. This amendment was also withdrawn from the state due to a misunderstanding of the agreement between USS (harvest partner) and the BBEDC consortium managing additional CDQ.
- CDQ amendment 04-09NS: This substantial amendment proposed to purchase a IT62G Wheel Loader for regional red king crab fleet Shoreside Support in the Community of Golovin. This amendment was approved by NMFS on June 23, 2004.

IV. Harvesting Report

A. Pollock and Multi-species CDQ Harvest Activities by Target Fishery

See the following tables below:

Table 3:	MS CDQ/PSQ Account Status Report 2004
Table 4:	Pollock Target Fishery
Table 5:	Pacific Cod Target Fishery
Table 6:	Atka Mackerel/Pacific Ocean Perch Target Fishery
Table 7:	Yellowfin Sole Target Fishery
Table 8:	Rock Sole Target Fishery
Table 9:	Flathead Sole Target Fishery
Table 10:	Bering Sea Greenland Turbot Target Fishery
Table 11:	Aleutian Islands Greenland Turbot Target Fishery
Table 12:	Bering Sea Sablefish Target Fishery
Table 13:	Aleutian Islands Sablefish Target Fishery
Table 14:	Halibut Harvest Activity
Table 15:	Crab Harvest Activity
Table 16:	CDQ Quota Transfers

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Table 3
MS CDQ/PSQ ACCOUNT STATUS REPORT
through Second Quarter 2004

CONFIDENTIAL

Table 4
POLLOCK TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 5
PACIFIC COD TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 6
ATKA MACKEREL /PACIFIC OCEAN PERCH TARGET FISHERIES
(in metric tons)

CONFIDENTIAL

Table 7
YELLOWFIN SOLE TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 8
ROCK SOLE TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 9
FLAT HEAD SOLE TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 10
BERING SEA GREENLAND TURBOT FISHERY
(in metric tons)

CONFIDENTIAL

Table 11
ALEUTIAN ISLANDS GREENLAND TURBOT TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 12
BERING SEA SABLEFISH TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 13
ALEUTIAN ISLANDS SABLEFISH TURBOT TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 14
HALIBUT HARVEST ACTIVITY
(in metric tons)

CONFIDENTIAL

Table 15
CRAB HARVEST ACTIVITY
(in metric tons)

CONFIDENTIAL

Table 16
CDQ QUOTA TRANSFERS
(in metric tons)

B. CDQ Fishing Activities

During the second quarter of 2004, NSEDC conducted CDQ fishing operations for pollock, Pacific cod, sablefish in the Bering Sea and Norton Sound red king crab. The fishing activity level was relatively light compared to the first quarter. A summary of the harvest of annual CDQ for the groundfish species by target fishery through the end of the second quarter is provided in Table 3. Harvest information for each of these target fisheries by quarter are provided in Tables 4 – 13, CDQ halibut in Table 14 and CDQ crab in Table 15.

Pollock

During the second quarter of 2004, NSEDC harvested about 2,062 metric tons of CDQ pollock using the *F/V Pacific Glacier* at the start of the pollock B season which opened on June 10. The *Pacific Glacier* harvested this CDQ pollock in a single trip from June 21 to June 28. The *Pacific Glacier* and *Northern Glacier* are currently fishing for coop and CDQ pollock in the Bering Sea. See Table 4 for a summary of the CDQ and PSQ harvest in the pollock fishery.

Summary of bycatch: The bycatch rate of other CDQ fish species in the pollock target fishery was about 0.4% of the pollock harvest. The bycatch was made up of Pacific cod, various flatfish and other species. There were few salmon and no halibut in the bycatch.

Processing report: Products from B season processing of CDQ pollock included some roe, but mainly fillet blocks, surimi and mince.

Pacific Cod

NSEDC harvested about 1,156 metric tons of Pacific cod in targeted CDQ fishing operations in the Bering Sea during the second quarter – predominantly in the A season - using the *F/V Norton Sound* and *F/V Glacier Bay*. These GFC-managed vessels were fishing for CDQ cod during the A season from April 1 to April 21, and with a single set on June 24 during the B season. The *Glacier Bay* is currently fishing for Greenland turbot in the open access fishery with occasional sets targeting CDQ cod. The *Norton Sound* will commence the CDQ cod fishery in the B season which opened on June 10 sometime in mid-July prior to the start of the open access fishery on August 15. See Table 5 for a summary of the CDQ and PSQ harvest in the cod target fishery.

Summary of bycatch: The bycatch rate of other CDQ fish species in the cod target fishery was about 35% of the cod harvest. Bycatch primarily consisted of ‘other species’ including skate and sculpin, non-quota pollock, flathead sole and smaller amounts of a variety of flatfish and rockfish. Halibut bycatch was light.

Processing report: Products from our Pacific cod CDQ fishery were primarily headed and gutted, eastern-cut and western cut cod packaged and frozen in approximately 40-pound and 50-pound blocks, and small amounts of cod milt, stomachs and roe.

Sablefish

NSEDC harvested a small amount of CDQ sablefish in the Bering Sea but none in the Aleutian Islands in fishing operations during the second quarter. The *F/V Pacific Sojourn* harvested about 6.1 metric tons of CDQ sablefish. CDQ fishing operations for sablefish will start during the second quarter of the year. The harvest of CDQ sablefish in the Bering Sea will continue during the remainder of the year.

NSEDC continues to have difficulties in contracting with vessels to harvest CDQ sablefish in the Aleutian Islands. This situation is mainly the result of the low catch rates in the fishery in the Aleutian Islands, problems with whale interaction and the requirement that vessels harvesting CDQ sablefish must have an expensive LLP endorsement for groundfish in the Aleutian Islands. Most dedicated sablefish catcher vessels do not own a LLP endorsement and they are not required for the IFQ fishery.

Summary of bycatch: The bycatch rate of other CDQ fish species in the pollock target fishery was about 44% of the pollock harvest. The bycatch was made up of mostly arrowtooth flounder with small amounts of Greenland turbot and various rockfish.

Processing report: The *Pacific Sojourn* delivered headed and gutted fish to Westward Seafoods in Dutch Harbor.

Greenland Turbot

NSEDC did not conduct targeted fishing operations for CDQ Greenland turbot in the BSAI during the second quarter. CDQ fishing for BSAI turbot will probably not occur again this year as the result of the extended open access fishery lasting into August or September. Most longline vessels involved in harvesting turbot in the open access and CDQ fisheries also harvest cod in the open access fishery which starts on August 15.

Atka Mackerel

NSEDC did not harvest CDQ Atka mackerel in the Aleutian Islands during the second quarter. Harvesting plans call for CDQ fishing to start in July and then again in October or November.

Yellowfin Sole and Rock Sole

There was no directed harvest of CDQ yellowfin sole, rock sole and/or other flatfish fisheries during the second quarter. NSEDC initially had intended on conducting a CDQ flathead sole fishery at the end of April. However, concentrations of flathead sole needed to support a profitable commercial fishery dispersed earlier than expected thus resulting in a premature termination of fishing effort. NSEDC expects to harvest CDQ yellowfin during the third quarter.

Halibut

NSEDC did not conduct targeted fishing operations for CDQ halibut in IPHC Area 4D during the second quarter. CDQ halibut fishing in the Norton Sound region will commence in July.

Bering Sea Opilio Crab

There was no directed harvest of CDQ opilio crab in the Bering Sea during the second quarter. NSEDC successfully completed the fishery for CDQ opilio crab during the first quarter.

Norton Sound Red King Crab

During the second quarter, NSEDC harvested the entire quota of CDQ red king crab in Norton Sound in local fishing operations. Nine local boats and crews from NSEDC communities in the region harvested 13,250 pounds of CDQ crab in five days of fishing in mid-June. Two other fishing boats and crews from NSEDC communities harvested about 13,000 pounds of the Norton Sound CDQ crab allocated to Yukon Delta Fisheries Development Association.

Summary of bycatch: No bycatch reported.

Processing report: Local fishing boats delivered all of the live CDQ crab to the Norton Sound Seafood Center located in Nome. This crab was turned into various products including fresh and frozen sections, whole cooked crab, and crab for the live market.

Bristol Bay Red King Crab

NSEDC did not harvest CDQ red king crab in Bristol Bay during the second quarter. The Bristol Bay red king crab fishery usually commences on October 15 and the CDQ fishery starts thereafter.

St. Matthew Blue King Crab

There was no harvest of CDQ king crab at St. Matthew during the second quarter. This commercial crab fishery is closed again to open access and CDQ harvest in 2004.

Bering Sea Bairdi Crab

There was no harvest of CDQ bairdi crab during the second quarter. This commercial crab fishery is closed again to open access and CDQ harvest in 2004.

Compliance/Enforcement Issues

To the best of our knowledge, the *Pacific Glacier*, *Norton Sound*, *Glacier Bay*, *Pacific Sojourn* and vessels from the NSEDC communities harvesting Norton Sound CDQ crab operated in compliance with applicable federal and state laws and regulations governing the fisheries in the Bering Sea and Aleutian Islands while conducting CDQ harvesting operations on behalf of NSEDC. There were no vessel or fishing violations, illegal activities and/or fines or penalties against these vessels reported by National Marine Fisheries Service Enforcement, U.S. Coast Guard, Alaska Department of Fish and Game or any other regulatory and enforcement agency.

A NMFS-generated post season adjustment of 4.737 metric tons to the NSEDC CDQ pollock harvest data in the A season resulted in an overage of our CDQ pollock A season allotment. The *Northern Glacier* and *Pacific Glacier* completed CDQ pollock fishing operations on March 7 and March 18, respectively. The adjustment to the harvest data occurred on April 13, almost a month after completion of fishing operations. We have speculated that this adjustment was probably the result of a post-trip NMFS observer debriefing. The resulting overage of the A season CDQ pollock allotment was 1.257 mt. NMFS CDQ program personnel and in-season managers were immediately notified.

CDQ Crab Custom Processing and Sales Activities

NSEDC did not undertake any activities during the second quarter involving the processing and sales of CDQ crab excluding CDQ red king crab from the Norton Sound fishery. CDQ product from the 2003 Bristol Bay red king crab fishery and the 2004 opilio fishery was sold and revenue profit share was received by NSEDC during the prior quarter.

V. Confidential Issues

A. Financial Statements

NSEDC Statement of Financial Position (Attachment 1)
NSEDC Statement of Activities (Attachment 2)
NSEDC Statement of Cash Flows (Attachment 3)
NSEDC Administrative Expense Schedule (Attachment 4)
NSEDC Budget to Actuals (Attachment 5)
NSEDC Species Royalty Analysis (Attachment 6)

Glacier Fish Company Report
Balance Sheet (Attachment 7)
Comparative Schedule of Operations (Attachment 8)
Statement of Cash Flows (Attachment 9)
Norton Sound Ventures LLC
Balance Sheet (Attachment 10)
Consolidated Income Statement (Attachment 11)
Statement of Cash Flows (Attachment 12)

In accordance with State of Alaska Statutes 6AAC93.070 (b), (c), and (d), NSEDC requests these and other documents marked "CONFIDENTIAL" be kept confidential and not released to the public or any other party.

B. Tax Issues

None

C. Imminent Major Investments

None, other than anything that NSEDC may have provided to the State of Alaska under a confidentiality petition.

D. Other

Attachments to this report include newspaper advertisements and meeting announcements placed during the second quarter.